



*United States Attorney
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**OWNER OF ROCKLAND COUNTY PAYROLL TAX SERVICE SENTENCED
TO 37 MONTHS IN PRISON ON TAX EVASION AND FRAUD CHARGES**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced that MENACHEM HIRSCH, the owner of a Monsey, New York, payroll tax service, was sentenced in White Plains federal court late yesterday to 37 months in prison, based on his guilty plea to charges stemming from HIRSCH's theft of more than \$2.3 million entrusted to HIRSCH by dozens of corporations in order to satisfy the corporations' federal payroll tax obligations.

According to court proceedings and statements in court at HIRSCH's sentencing, HIRSCH owned and operated PAL Data Processing, Inc. ("PAL"), a company based in Monsey, in Rockland County, New York, that provided payroll-related services for corporate clients in Rockland County and northern New Jersey. According to the Information to which HIRSCH pleaded guilty, HIRSCH was in the business of preparing and filing federal payroll tax returns, and forwarding to the Internal Revenue Service ("IRS") the funds his clients had advanced to him to satisfy their payroll tax obligations.

According to the Information and HIRSCH's guilty plea, however, HIRSCH started stealing his client's funds in 1998. After the clients advanced him the monies to pay the clients' payroll tax obligations to the IRS, HIRSCH took those funds for his own use in order to make personal trades in the stock market. As a result of those stock market trades, court records show, HIRSCH lost more than \$2,314,000, and tried to cover up those losses by preparing and filing fraudulent payroll tax returns that falsely under-reported and under-paid the clients' payroll tax obligations.

According to the Information, between 1998 and 2000

HIRSCH prepared and filed more than 160 false and fraudulent payroll tax returns. The Information further alleges that HIRSCH sent to many of his clients a separate (and correct) set of payroll tax returns – which HIRSCH never filed with the IRS – in order to falsely convince the clients that he had prepared and filed correct payroll tax returns and has properly used the clients' money to pay the taxes. As a result, HIRSCH pleaded guilty to tax evasion and mail fraud charges.

According to the Information, the clients from whom HIRSCH stole funds included American Shelter Corporation, Pediatric Affiliates, the Village of Kiryas Joel, and the Yeshiva of Spring Valley. Also according to Court records, HIRSCH used some of the proceeds of the theft to pay off his home mortgage; as a result of litigation commenced by one of HIRSCH's victims, that home was later seized and sold, with the proceeds going to the victim.

Mr. GARCIA praised the investigative efforts of the Criminal Investigation division of the IRS. He stated: "Tax preparers owe a duty of trust to their clients and the public. Corrupt preparers seriously undermine our self-reporting tax system particularly when they steal from both their clients and the Government."

HIRSCH, 36, was ordered by United States District Judge STEPHEN C. ROBINSON to surrender to the Bureau of Prisons on January 16, 2006.

Assistant United States Attorney STANLEY J. OKULA, JR., is in charge of the prosecution.

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